

**Possible Options to Address Recommendation #3 from the
School Transportation Funding and Safety Performance Audit**
prepared for the Education and Local Government Interim Committee
by Pad McCracken, LSD Research Analyst, April 2014

Current statute

20-10-141. Schedule of maximum reimbursement by mileage rates. (1) *The mileage rates in subsection (2) for school transportation constitute the maximum reimbursement to districts for school transportation from state and county sources of transportation revenue under the provisions of 20-10-145 and 20-10-146. These rates may not limit the amount that a district may budget in its transportation fund budget in order to provide for the estimated and necessary cost of school transportation during the ensuing school fiscal year. All bus miles traveled on bus routes approved by the county transportation committee are reimbursable. Nonbus mileage is reimbursable for a vehicle driven by a bus driver to and from an overnight location of a school bus when the location is more than 10 miles from the school. A district may approve additional bus or nonbus miles within its own district or approved service area but may not claim reimbursement for the mileage. Any vehicle, the operation of which is reimbursed for bus mileage under the rate provisions of this schedule, must be a school bus, as defined by this title, driven by a qualified driver on a bus route approved by the county transportation committee and the superintendent of public instruction.*

(2) (a) The rate for each bus mile traveled must be determined in accordance with the following schedule:

- (i) 95 cents for a school bus with a rated capacity of not more than 49 passenger seating positions;**
- (ii) \$1.15 for a school bus with a rated capacity of 50 to 59 passenger seating positions;**
- (iii) \$1.36 for a school bus with a rated capacity of 60 to 69 passenger seating positions;**
- (iv) \$1.57 for a school bus with a rated capacity of 70 to 79 passenger seating positions; and**
- (v) \$1.80 for a school bus with 80 or more passenger seating positions.**

(b) Nonbus mileage, as provided in subsection (1), must be reimbursed at a rate of 50 cents a mile.

(3) The rated capacity is the number of passenger seating positions of a school bus as determined under the policy adopted by the board of public education. If modification of a school bus to accommodate pupils with disabilities reduces the rated capacity of the bus, the reimbursement to a district for pupil transportation is based on the rated capacity of the bus prior to modification.

(4) The number of pupils riding the school bus may not exceed the passenger seating positions of the bus.

Background

In May 2013, Legislative Audit Division (LAD) issued its [School Transportation Funding and Safety Performance Audit Report](#). The report identified issues relating to the current statutory reimbursement schedule for school transportation and included the following as the report's third recommendation:

We recommend the Montana Legislature review the effects of the statutory reimbursement schedule to determine if changes are necessary to promote efficiency, simplicity, or equity.

Ross Johnson of LAD presented a summary of the audit report focusing on this recommendation at the December 2, 2013 ELG meeting.

Issues and Possible Options

Issue #1 The audit identified an issue with the current reimbursement schedule potentially incentivizing the purchase of larger school buses than are needed.

Options to address this issue include:

1. Increase reimbursements for smaller buses to reduce incentive to purchase larger buses. For example:
 - (2) (a) The rate for each bus mile traveled must be determined in accordance with the following schedule:
 - (i) ~~95 cents~~ \$1.45 for a school bus with a rated capacity of not more than 49 passenger seating positions;
 - (ii) ~~\$1.15~~ \$1.55 for a school bus with a rated capacity of 50 to 59 passenger seating positions;
 - (iii) ~~\$1.36~~ \$1.66 for a school bus with a rated capacity of 60 to 69 passenger seating positions;
 - (iv) ~~\$1.57~~ \$1.77 for a school bus with a rated capacity of 70 to 79 passenger seating positions; and
 - (v) \$1.80 for a school bus with 80 or more passenger seating positions.
 - (b) Nonbus mileage, as provided in subsection (1), must be reimbursed at a rate of 50 cents a mile. (This is a rather arbitrary attempt—.50, .40, .30, .20 increases for the smaller capacity buses—to simply compress the range of reimbursements; increases could be made based on estimates of increased purchase and operating costs of larger buses; state share increase estimate \$2.3 million/year.)
2. Modify reimbursement schedule to eliminate different rates based on capacity. The audit report states that larger buses do not cost substantially more to purchase or operate. For example:
 - (2) (a) The rate for each bus mile traveled ~~must be determined in accordance with the following schedule~~ is \$1.80. (State share increase estimate \$3.4 million/year.)
3. Decrease reimbursements for larger buses to reduce incentive to purchase larger buses. (Would hurt districts that recently purchased larger buses and reduce "state share" of transportation costs, which has decreased from 26% in 2003 to 19% in 2012.)
4. Plan to explore a different reimbursement formula entirely by requesting an interim study or including school transportation as part of decennial study. Other states utilize:
 - Block grant funding—payments are made as part of the foundational per-student grant provided to districts
 - Approved cost funding—states reimburse a percentage of approved costs, sometimes capped by a maximum based on statewide average costs
 - Efficiency-driven funding—states use population density, bus occupancy, geography, road surface, etc. as factors in creating a formula that compares districts in terms of efficiency and rewards more efficient districts with higher reimbursements

Issue #2 The audit also identified an issue with the current reimbursement schedule creating a potential disincentive for districts to purchase buses with seatbelts or retrofit buses for seatbelts. Outfitting buses with seatbelts requires investment and may reduce capacity, potentially reducing reimbursement with the current schedule.

Options to address this issue include:

1. Option #2 above removes capacity from reimbursement schedule.
2. Could address possible disincentive of adding seatbelts by including modification to add seatbelts to 20-10-141(3) allowing original rated capacity to be used for reimbursement.